



ANNUAL REPORT

For the Year Ended
December 30, 1939



424 NORTH NINETEENTH STREET
PHILADELPHIA, PA.

OFFICE OF THE PRESIDENT

*To the Stockholders of
American Stores Company:*

The consolidated balance sheet of your Corporation and its subsidiaries as of December 30, 1939 and the consolidated statement of income and surplus for the year 1939, together with the report of our auditors, Barrow, Wade, Guthrie & Co., are presented herewith.

Net income for the year 1939, after provision for Federal and State income taxes, amounted to \$1,153,658., or 88c per share, as compared with \$676,087., or 51c per share for the year 1938.

Sales increased during the year 4.53%. The total sales for 1939 amounted to \$114,824,009., as compared with \$109,852,806. for the year 1938. The increase in sales, particularly during the last quarter of 1939, was well above the percentage increase for the entire year 1939 and this improvement in sales volume continues in 1940. Sales for the first seven weeks of 1940 are 12% in excess of the sales for the same period in 1939. The Bureau of Labor statistics show that retail food prices throughout the United States were 1.9% lower in 1939 than in the preceding year, which, when considered in connection with the increase of our dollar sales volume of 4.53%, indicates a substantial increase in tonnage sales in 1939.

At December 30, 1939 the number of retail stores in operation was 2,272, as compared with 2,416 at the end of the preceding year. During the year 255 stores were closed and 111 stores were opened, of which 103 were self-service markets. 122 service stores were also converted into self-service units at the same locations.

During the year we paid two dividends of 25c each per share. A dividend of 25c per share was also declared on February 8, 1940, payable March 25, 1940 to stockholders of record March 6, 1940. If the improvement in business continues, the question of dividends will receive our earnest consideration.

The relations with the Company's employees were cordial throughout the year. The continued progress of the Company is truly of mutual interest to stockholders and employees and we believe a keener appreciation of this fact is evident. To enhance this understanding is of the utmost importance and a matter which receives the constant consideration of the management.

Respectfully submitted,

WILLIAM PARK,
President.

February 29, 1940

AMERICAN STORES COMPANY

and Subsidiary Companies

Consolidated Balance Sheet

December 30, 1939

ASSETS	
Current Assets	
Cash.....	\$ 5,227,295.15
Marketable Securities—at cost.....	1,998,213.35
	(Market Value \$1,798,344)
Accounts Receivable:	
Due from Relief Agencies.....	\$ 330,435.64
Other Accounts Receivable.....	<u>309,683.17</u>
	640,118.81
Inventories—at lower of cost or market.....	<u>12,687,093.97</u>
Total Current Assets.....	20,552,721.28
Loans to Employees—with common stock of company as collateral —less reserve.....	122,004.52
Miscellaneous Investments—at written down value.....	51,306.77
Fixed Assets	
Land, Buildings, Machinery, Equipment, Fixtures, etc.—at cost.....	22,688,205.12
Less: Reserve for Depreciation.....	<u>10,758,934.71</u>
	11,929,270.41
Unamortized Cost of Leasehold Improvements.....	388,787.06
Goodwill.....	1.00
Deferred Charges	
Prepaid Insurance, Taxes, etc.....	<u>223,434.99</u>
	<u>\$ 33,267,526.03</u>

LIABILITIES AND CAPITAL

Current Liabilities	
Accounts Payable and Accrued Charges.....	\$ 2,562,802.32
Reserve for Federal and State Taxes.....	<u>693,817.72</u>
Total Current Liabilities.....	3,256,620.04
Reserve for Contingencies.....	567,589.54
Capital and Surplus	
Common Stock—no par value	
1,500,000 shares authorized	
1,400,000 shares issued.....	19,374,156.46
Earned Surplus.....	<u>13,589,269.30</u>
	32,963,425.76
Less: Treasury Stock—98,680 shares.....	<u>3,520,109.31</u>
	29,443,316.45
	<u>\$ 33,267,526.03</u>

AMERICAN STORES COMPANY

and Subsidiary Companies

Statement of Consolidated Income and Surplus

for the Year Ended December 30, 1939

INCOME ACCOUNT

Sales		\$ 114,824,009.72
Cost of Merchandise Sold		<u>93,124,036.98</u>
Gross Profit		21,699,972.74
Wages, Rents, Advertising, Operating and Administrative Expenses	\$ 18,729,809.84	,
Social Security Taxes	657,764.80	
Depreciation	<u>1,010,309.47</u>	20,397,884.11
Profit from Operations		1,302,088.63
Income from Investments, etc.		<u>95,570.18</u>
Profit before Income Taxes		1,397,658.81
Federal and State Income Taxes		<u>244,000.00</u>
Net Income		<u><u>\$ 1,153,658.81</u></u>

EARNED SURPLUS

Balance—December 31, 1938	\$ 12,121,198.03
Reversal of reserve provided during the years 1937 and 1938 for Pennsylvania chain store tax, invalidated by decision of Supreme Court of Commonwealth of Pennsylvania, less ad- ditional Federal and State income taxes and incident expenses	965,072.46
Net Income for year 1939	<u>1,153,658.81</u>
	14,239,929.30
Dividends Paid—50¢ per Share	<u>650,660.00</u>
Balance—December 30, 1939	<u><u>\$ 13,589,269.30</u></u>

BARROW, WADE GUTHRIE & CO.

ACCOUNTANTS AND AUDITORS

GIRARD TRUST BUILDING

PHILADELPHIA, PA.

*To the Board of Directors of the
American Stores Company:*

We have examined the consolidated balance sheet of the American Stores Company and its subsidiary companies as of December 30, 1939, and the statement of consolidated income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

In our opinion, the accompanying consolidated balance sheet and related statement of consolidated income and surplus present fairly the consolidated position of the American Stores Company and its subsidiary companies at December 30, 1939, and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BARROW, WADE, GUTHRIE & CO.,

Auditors.

Philadelphia, Pa.

February 26, 1940

American Stores Company

OFFICERS

<i>President</i>	William Park
<i>Vice-President</i>	Robert H. Crawford
<i>Vice-President and General Manager</i>	James K. Robinson
<i>Vice-President and Treasurer</i>	Wm. M. M. Robinson
<i>Vice-President and Secretary</i>	E. J. Flanigan
<i>Vice-President</i>	Fred W. Johnson
<i>Assistant Treasurer</i>	Wm. Gould
<i>Assistant Secretary</i>	J. V. Keers

DIRECTORS

Samuel Robinson	William Park
Robert H. Crawford	James K. Robinson
John Eagleson	Wm. M. M. Robinson
E. J. Flanigan	Joseph Gilfillan
John M. Hancock	Wm. Gould